招商局國際有限公司
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 00144)

- Throughput of containers handled reached 83.66 million TEUs, up 3.5% (2014: 80.83 million TEUs)
- Throughput of bulk cargoes handled reached 353 million tonnes, down 2.8% (2014: 363 million tonnes)
- Profit attributable to equity holders of the Company
  - √ HK$4,808 million, up 6.2% (2014: HK$4,526 million)
  - √ HK$4,462 million, up 3.0%, from ports operation (2014: HK$4,330 million)
- Recurrent profit attributable to equity holders of the Company amounted to HK$4,462 million, down 3.0% (2014: HK$4,599 million)
- Basic earnings per share totaled 155.07 HK cents, down 2.7% (2014: 159.41 HK cents)
- Final dividend of 55 HK cents per share (2014: 55 HK cents per share)

2015 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of China Merchants Holdings (International) Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015** *HK$'million*	**2014** *HK$'million*
Revenue	2	8,233	8,257
Cost of sales		(4,602)	(4,737)
Gross profit		3,631	3,520
Other gains/(losses), net	4	137	(110)
Other income	4	202	198
Administrative expenses		(989)	(1,017)
Operating profit		2,981	2,591
Finance income	5	158	164
Finance costs	5	(858)	(1,023)
Finance costs, net	5	(700)	(859)
Share of profits less losses of			
Associates		3,890	4,105
Joint ventures		144	332
		4,034	4,437
Profit before taxation		6,315	6,169
Taxation	6	(790)	(1,151)
Profit for the year	7	5,525	5,018
Attributable to:			
Equity holders of the Company		4,808	4,526
Non-controlling interests		717	492
Profit for the year		5,525	5,018
Dividends	8	1,998	1,971
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		155.07	159.41
Diluted (HK cents)		154.91	159.28

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	HK$'million	*HK$'million*
Profit for the year	5,525	5,018
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	(3,522)	(1,066)
Release of reserves upon disposal of a subsidiary	(35)	—
Increase in fair value of available-for-sale financial assets, net of deferred taxation	1,522	1,371
Share of investment revaluation reserve of associates	(72)	180
Items that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates and a joint venture	223	96
Share of net actuarial loss on defined benefit plans of associates	(38)	(29)
Total other comprehensive (expense)/income for the year, net of tax	(1,922)	552
Total comprehensive income for the year	3,603	5,570
Total comprehensive income attributable to:		
Equity holders of the Company	3,324	5,272
Non-controlling interests	279	298
	3,603	5,570

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	**2015** *HK$'million*	**2014** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		2,973	3,167
Intangible assets		5,660	5,650
Property, plant and equipment		19,570	19,982
Investment properties		287	1,757
Land use rights		7,545	7,938
Interests in associates		37,953	37,731
Interests in joint ventures		9,041	6,408
Other financial assets		5,883	4,215
Other non-current assets		1,110	1,645
Deferred tax assets		41	58
		90,063	88,551
Current assets			
Inventories		77	108
Other financial assets		—	580
Debtors, deposits and prepayments	10	1,916	3,693
Taxation recoverable		—	3
Cash and bank balances		10,293	9,501
		12,286	13,885
Total assets		102,349	102,436

	Note	2015	2014
		HK$'million	HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		18,994	17,918
Mandatory convertible securities		15,224	15,280
Reserves		33,181	32,821
Proposed dividend	8	1,429	1,411
		68,828	67,430
Non-controlling interests		7,821	7,716
Total equity		76,649	75,146
LIABILITIES			
Non-current liabilities			
Loans from shareholders		664	1,065
Other financial liabilities		16,681	12,231
Other non-current liabilities		1,234	1,421
Deferred tax liabilities		2,333	2,208
		20,912	16,925
Current liabilities			
Creditors and accruals	11	2,582	3,094
Loans from shareholders		311	1,318
Other financial liabilities		1,489	5,357
Taxation payable		406	596
		4,788	10,365
Total liabilities		25,700	27,290
Total equity and liabilities		102,349	102,436
Net current assets		7,498	3,520
Total assets less current liabilities		97,561	92,071

NOTES:

1 **Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the Hong Kong Companies Ordinance ("**HKCO**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Rules Governing the Listing of Securities on the HKSE (the "**Listing Rules**") regarding annual accounts have been amended with reference to the new HKCO and to be consistent with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements.

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the consolidated financial statements for the year ended 31 December 2015 in due course.

The Company's auditor has reported on these consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

During the year, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA. The adoption of these amendments to HKFRSs has had no material effect on the amounts reported or disclosures set out in the consolidated financial statements.

2 Revenue

The principal activities of the Group comprise ports operation, bonded logistics and cold chain operations and property investment. The following is an analysis of the Group's revenue from its major services offered during the year.

	2015	2014
	HK$'million	*HK$'million*
Ports service, transportation income, container service and container yard management income	7,789	7,466
Logistics services income (including rental income)	408	747
Gross rental income from investment properties	36	44
	8,233	8,257

3 Segment information

The key management team of the Company is regarded as the chief operating decision-maker ("**CODM**"), who reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments. The CODM manages the Group's operations by divisions from both a business and geographic perspective.

Individual operating segments for which discrete financial information is available are identified by the CODM and are operated by their respective management teams. These individual operating segments are aggregated in arriving at the reportable segments of the Group.

From a business and financial perspective, management assesses the performance of the Group's business operations including ports operation, bonded logistics and cold chain operations, port-related manufacturing operation and other operations.

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures. Ports operation is further evaluated on a geographic basis as set out below:

(a) Mainland China, Hong Kong and Taiwan

- Pearl River Delta excluding Hong Kong ("PRD excluding HK")
- Hong Kong
- Yangtze River Delta
- Others

(b) Other locations outside of Mainland China, Hong Kong and Taiwan

(ii) Bonded logistics and cold chain operations include logistic park operation, ports transportation, cold storage and logistics operation and airport cargo handling operated by the Group and its associates and joint ventures.

Following the disposal of Smart Ally Holdings Limited ("**SAH**") and its subsidiaries during the year, the Group ceased its cold chain operation and thereafter the segment information at the end of the reporting period reported to the CODM in respect of bonded logistics and cold chain operations comprises only the bonded logistic operation which includes logistic park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.

(iii) Port-related manufacturing operation represents container manufacturing operated by the Group's associate.

(iv) Other operations mainly include property development and investment and construction of modular housing operated by the Group's associate, property investment operated by the Group and corporate function.

Each of the segments under ports operation includes the operations of a number of ports in various locations within the geographic locations, each of which is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments on geographic basis in order to present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

Bonded logistics and cold chain operations and other operations includes a number of different operations, each of which is considered as a separate but insignificant operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated according to the natures of their operations to give rise to more meaningful presentation.

There are no material sales or other transactions between the segments.

There was no single customer who accounted for over 10% of the Group's total revenue in any of the years ended 31 December 2015 and 2014.

The Group's revenue by geographical areas of operations and information about its non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located are as follows:

	Revenue		**Non-current assets**	
	2015	**2014**	**2015**	**2014**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	7,212	7,956	64,852	67,894
Other locations	1,021	301	19,287	16,384
	8,233	8,257	84,139	84,278

The amounts labelled as "Company and subsidiaries" below represent the Group's revenue. The amounts labelled as "Share of associates" and "Share of joint ventures" below represent the Group's share of revenue of associates and joint ventures respectively. An analysis of the Group's revenue by segments is as follows:

	REVENUE									
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others						
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
For the year ended 31 December 2015										
Company and subsidiaries	5,961	246	—	561	1,021	7,789	408	—	36	8,233
Share of associates	429	736	8,764	—	1,244	11,173	204	18,279	3,109	32,765
Share of joint ventures	11	13	380	2,122	—	2,526	1	—	—	2,527
Total segment revenue	6,401	995	9,144	2,683	2,265	21,488	613	18,279	3,145	43,525
For the year ended 31 December 2014										
Company and subsidiaries	6,263	215	—	687	301	7,466	747	—	44	8,257
Share of associates	208	861	8,815	—	1,241	11,125	134	22,396	2,964	36,619
Share of joint ventures	8	18	367	2,136	—	2,529	9	—	—	2,538
Total segment revenue	6,479	1,094	9,182	2,823	1,542	21,120	890	22,396	3,008	47,414

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and joint ventures by segments is as follows:

	For the year ended 31 December 2015											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	2,203	29	236	206	324	2,998	214	178	13	(422)	(409)	2,981
Share of profits less losses of												
- Associates	48	314	1,975	—	572	2,909	30	621	330	—	330	3,890
- Joint ventures	—	1	115	31	(2)	145	(1)	—	—	—	—	144
	2,251	344	2,326	237	894	6,052	243	799	343	(422)	(79)	7,015
Finance costs, net	(73)	—	—	(51)	(157)	(281)	(25)	—	—	(394)	(394)	(700)
Taxation	(372)	(5)	(188)	(24)	(7)	(596)	(22)	(138)	(31)	(3)	(34)	(790)
Profit/(loss) for the year	1,806	339	2,138	162	730	5,175	196	661	312	(819)	(507)	5,525
Non-controlling interests	(611)	—	—	(26)	(76)	(713)	(4)	—	—	—	—	(717)
Profit/(loss) attributable to equity holders of the Company	1,195	339	2,138	136	654	4,462	192	661	312	(819)	(507)	4,808
Other information:												
Depreciation and amortisation	861	11	—	125	289	1,286	94	—	—	12	12	1,392
Capital expenditure	405	13	—	251	1,044	1,713	31	—	617	15	632	2,376

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and joint ventures by segments is as follows: (continued)

	For the year ended 31 December 2014											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	2,549	34	65	234	(81)	2,801	(70)	—	63	(203)	(140)	2,591
Share of profits less losses of												
- Associates	61	184	2,154	—	660	3,059	35	797	214	—	214	4,105
- Joint ventures	—	—	118	220	—	338	(6)	—	—	—	—	332
	2,610	218	2,337	454	579	6,198	(41)	797	277	(203)	74	7,028
Finance costs, net	(82)	—	—	(58)	(51)	(191)	(25)	—	—	(643)	(643)	(859)
Taxation	(506)	(6)	(477)	(41)	(15)	(1,045)	(48)	(36)	(16)	(6)	(22)	(1,151)
Profit/(loss) for the year	2,022	212	1,860	355	513	4,962	(114)	761	261	(852)	(591)	5,018
Non-controlling interests	(589)	—	—	(40)	(3)	(632)	140	—	—	—	—	(492)
Profit/(loss) attributable to equity holders of the Company	1,433	212	1,860	315	510	4,330	26	761	261	(852)	(591)	4,526
Other information:												
Depreciation and amortisation	878	9	—	146	92	1,125	129	—	—	7	7	1,261
Capital expenditure	470	39	—	395	2,472	3,376	267	—	—	1	1	3,644

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than taxation recoverable and deferred tax assets, and all liabilities are allocated to reportable segments other than taxation payable and deferred tax liabilities.

An analysis of the Group's assets and liabilities by segments is as follows:

	As at 31 December 2015											
	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	23,185	237	5,144	3,943	11,018	43,527	2,760	34	838	8,155	8,993	55,314
Interests in associates	1,224	1,715	17,441	1	5,829	26,210	390	7,713	3,640	—	3,640	37,953
Interests in joint ventures	3	7	894	5,146	2,991	9,041	—	—	—	—	—	9,041
Total segment assets	24,412	1,959	23,479	9,090	19,838	78,778	3,150	7,747	4,478	8,155	12,633	102,308
Deferred tax assets												41
Total assets												102,349
LIABILITIES												
Segment liabilities	(3,319)	(42)	—	(1,421)	(6,452)	(11,234)	(684)	—	—	(11,043)	(11,043)	(22,961)
Taxation payable												(406)
Deferred tax liabilities												(2,333)
Total liabilities												(25,700)

An analysis of the Group's assets and liabilities by segments is as follows: (continued)

	As at 31 December 2014											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	24,138	234	4,297	4,429	11,010	44,108	4,472	—	1,843	7,813	9,656	58,236
Interests in associates	1,439	1,598	17,316	—	6,088	26,441	378	7,679	3,233	—	3,233	37,731
Interests in joint ventures	3	6	927	5,471	—	6,407	1	—	—	—	—	6,408
Total segment assets	25,580	1,838	22,540	9,900	17,098	76,956	4,851	7,679	5,076	7,813	12,889	102,375
Taxation recoverable												3
Deferred tax assets												58
Total assets												102,436
LIABILITIES												
Segment liabilities	(3,840)	(42)	—	(1,789)	(6,931)	(12,602)	(1,160)	—	(8)	(10,716)	(10,724)	(24,486)
Taxation payable												(596)
Deferred tax liabilities												(2,208)
Total liabilities												(27,290)

4 **Other gains/(losses), net and other income**

	2015	2014
	HK$'million	*HK$'million*
Other gains/(losses), net		
Increase in fair value of investment properties	3	22
Increase in fair value of financial asset at fair value through profit or loss	—	22
Gain on disposal of land use rights and property, plant and equipment	22	59
Gain on disposal of subsidiaries	52	—
Gain on deemed disposal of interests in associates and a joint venture	399	—
Gain on partial disposal of an associate	2	—
Impairment loss of goodwill and intangible assets	—	(216)
Net exchange (losses)/gains	(333)	3
Others	(8)	—
	137	(110)
Other income		
Dividend income from available-for-sale financial assets	121	86
Dividend income from financial asset at fair value through profit or loss	—	29
Others	81	83
	202	198

5 Finance income and costs

	2015	2014
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank deposits	151	156
Others	7	8
	158	164
Interest expense on:		
Bank loans	(242)	(296)
Listed notes payable	(452)	(525)
Unlisted notes payable	(77)	(95)
Loans from:		
- a non-controlling equity holder of a subsidiary	(16)	(15)
- shareholders	(112)	(254)
Others	(17)	(13)
Total borrowing costs incurred	(916)	(1,198)
Less: amount capitalised on qualifying assets (Note)	58	175
Finance costs	(858)	(1,023)
Finance costs, net	(700)	(859)

Note:

Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the consolidated statement of financial position. Capitalisation rate of 4.31% per annum (2014: 4.36% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

6 **Taxation**

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year.

The Group's operations in Mainland China are subject to corporate income tax law of the People's Republic of China (the "**PRC**") ("**PRC corporate income tax**"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries are exempted from PRC corporate income tax in the first five profit making years and followed by a 50% reduction in PRC corporate income tax for the next five years thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008. Certain of the Group's subsidiaries enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied according to PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

Taxation outside of Hong Kong and Mainland China has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Certain of the Group's overseas subsidiaries are exempted from the corporate income tax in the relevant countries.

The amount of taxation charged to the consolidated statement of profit or loss represents:

	2015	**2014**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	20	5
PRC corporate income tax	345	455
Overseas profit tax	—	1
PRC withholding income tax	220	470
Overseas withholding income tax	9	16
Deferred taxation		
Origination and reversal of temporary differences	86	204
Deferred taxation on PRC withholding income tax arising from change in tax rate *(Note)*	110	—
	790	1,151

Note: Upon deemed disposal of interest in an associate, the Group's shareholding in the relevant associate is herein decreased to below 25% and is no longer entitled to 5% preferential tax rate on its dividend receivable from the relevant associate and accordingly an additional amount of HK$110 million for deferred taxation was provided for the year ended 31 December 2015 for the Group's share of earnings of this investment which payment is yet to be declared.

7 Profit for the year

	2015 *HK$'million*	2014 *HK$'million*
Profit for the year has been arrived at after charging:		
Cost of inventories	—	49
Staff costs (including Directors' and chief executive's emoluments)	1,499	1,492
Depreciation of property, plant and equipment	1,111	1,063
Amortisation of intangible assets and land use rights	281	198
Auditor's remuneration (including fees for non-audit services)	17	19
Operating lease rentals in respect of		
- land and buildings	250	216
- plant and machinery	36	106

8 Dividends

	2015 *HK$'million*	2014 *HK$'million*
Interim, paid, of 22 HK cents (2014: 22 HK cents) per ordinary share	569	560
Final, proposed, of 55 HK cents (2014: 55 HK cents) per ordinary share	1,429	1,411
	1,998	1,971

At a meeting held on 31 March 2016, the Board proposed a final dividend of 55 HK cents per ordinary share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to equity holders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

The amount of proposed final dividend for 2015 was based on 2,598,715,093 (2014: 2,564,503,798) shares in issue as at 31 March 2016.

9 **Earnings per share**

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2015	**2014**
Basic		
Profit attributable to equity holders of the Company (HK$'million)	4,808	4,526
Weighted average number of ordinary shares in issue (Note (a))	3,099,921,253	2,839,277,888
Basic earnings per share (HK cents)	155.07	159.41
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	4,808	4,526
Weighted average number of ordinary shares in issue (Note (a))	3,099,921,253	2,839,277,888
Effect of dilutive potential ordinary shares: Adjustment for share options (Note (b))	3,076,279	2,281,467
Weighted average number of ordinary shares for diluted earnings per share	3,102,997,532	2,841,559,355
Diluted earnings per share (HK cents)	154.91	159.28

Notes:

(a) The weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per shares included (i) the ordinary shares of the Company in issue during the year and (ii) the ordinary shares that will be issued upon conversion of the Mandatory Convertible Securities ("**MCS**") from the issue date as the MCS are mandatorily convertible instruments.

The directors are of the opinion, based on the best information available thereto, including the terms of the MCS and the identities of its holders, that the MCS are substantially the same as ordinary shares of the Company, and accordingly, the MCS have been taken into account in the calculation of the basic and diluted earnings per share above.

(b) Adjustment represents the additional number of ordinary shares in issue on the assumption of exercise of all outstanding share options. Calculation to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) is based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$917 million (2014: HK$1,031 million).

The Group has a credit policy of allowing an average credit period of 90 days (2014: 90 days) to its trade customers. The ageing analysis of trade debtors, net of provision for impairment of trade debtors, is as follows:

	2015 *HK$'million*	**2014** *HK$'million*
Not yet due	458	433
Days overdue		
- 1 - 90 days	334	481
- 91 - 180 days	108	102
- 181 - 365 days	13	12
- Over 365 days	4	3
	917	1,031

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$271 million (2014: HK$269 million). The ageing analysis of the trade creditors is as follows:

	2015 *HK$'million*	**2014** *HK$'million*
Not yet due	160	110
Days overdue		
- 1 - 90 days	70	72
- 91 - 180 days	5	31
- 181 - 365 days	2	8
- Over 365 days	34	48
	271	269

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

The Directors have resolved to recommend the payment of a final scrip dividend of 55 HK cents per share, totalling HK$1,429 million for the year ended 31 December 2015 by way of an issue of new shares with an alternative to the shareholders of the Company (the "**Shareholders**") to elect to receive the final dividend (or part thereof) in cash in lieu of such allotment (2014: scrip dividend of 55 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 18 July 2016 to Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 10 June 2016 (the "**Scrip Dividend Scheme**").

Subject to the approval by the Shareholders at the annual general meeting of the Company (the "**AGM**") to be held on 3 June 2016, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 14 June 2016. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that the final dividend warrants and certificates for the new shares will be despatched to Shareholders on or around 18 July 2016.

CLOSURE OF REGISTER

To ascertain Shareholders' entitlement to attend and vote at the AGM, the Register of Members will be closed from 30 May 2016 to 3 June 2016 (both days inclusive), during which no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 27 May 2016.

Subject to the approval of the Shareholders at the AGM, the proposed final dividend will be despatched to Shareholders whose names appear on the Register of Members after the close of business at 4:30 p.m. on Friday, 10 June 2016. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Friday, 10 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

General overview

During the year, global economy continued to undergo structural adjustments, and with subdued demand, feeble investment appetite and weak manufacturing and trading activities, the world's economy was seeing a sluggish growth. Developed economies were counting on expansionary monetary policies to stimulate demand, but recovery was modest and the pace varied among regions, with the economy of the United States demonstrating steady recovery, while the Euro Zone's recovery was mild, and Japan was showing a muted growth. Deterred by sluggish demand growth of the developed economies, the unbalanced economic structures of certain nations, and the abrupt worsening of financial situations and reversal of capital flows induced by the tapering of the US monetary policies towards the end of the year, emerging economies have seen growth at a much slower pace, with Russia and Brazil even in negative territory. According to the estimates in the latest "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") on 19 January 2016, the global economic growth rate in 2015 was 3.1%, down 0.3 percentage point as compared to that of 2014, within which developed economies were growing at 1.9%, up 0.1 percentage point as compared to that of 2014; and developing economies were growing at 4.0%, down 0.6 percentage point. Global trade volume (including goods and services) expanded by 2.6%, a decrease of 0.8 percentage point as compared with that of 2014.

In 2015, along with a deceleration in China's GDP growth to 6.9% was a significant slowdown in its foreign trade growth, with its total import and export value amounting to US$3.96 trillion, representing a year-on-year decrease of 8.0%, within which total export value was US$2.28 trillion, indicating a 2.8% year-on-year decrease, while total import value was US$1.68 trillion, representing a decrease of 14.1% year-on-year.

With the slow recovery in economy and trade globally, global ports growth continued its softening trend in 2015. Data published by the Ministry of Transport of China showed that container throughput handled by Chinese ports of significant scale totaled 210 million TEUs in 2015, an increase of 4.1% year-on-year but a decline of approximately 2.2 percentage points as compared to the growth rate of last year.

In 2015, the Group's ports handled a total container throughput of 83.66 million TEUs, a year-on-year increase of 3.5%. Bulk cargo volume handled by the Group's ports was 353 million tonnes, translating into a 2.8% year-on-year decrease. Attributing to a weaker growth in global containerized trade, China International Marine Containers (Group) Co., Ltd. ("**CIMC**"), of which the Group is the single largest shareholder, saw noticeable decline in its container manufacturing business, recording sales of dry cargo containers and reefers of 1.30 million TEUs during the year, or a 14.0% year-on-year decrease; yet, sales of reefers was still able to register a year-on-year growth of 40.8%.

During the year ended 31 December 2015, profit attributable to equity holders of the Company amounted to HK$4,808 million, representing a year-on-year increase of

6.2%. Recurrent profit [Note 1] was HK$4,462 million, down 3.0% as compared to that of last year. EBITDA [Note 2] derived from the Group's core ports operation totaled HK$10,610 million, down 1.9% year-on-year, accounting for 77.7% of the Group's total EBITDA.

Business review

Ports operation

Container throughput handled by the Group's ports operation totaled 83.66 million TEUs in 2015, up 3.5% year-on-year, amongst which the Group's ports in Mainland China contributed container throughput of 61.47 million TEUs, representing a growth of 3.2% year-on-year, slightly outpacing that of foreign trade-derived container throughput handled by China's ports. The Group's operations in Hong Kong and Taiwan recorded an aggregate container throughput of 6.14 million TEUs, down 15.0% year-on-year. Driven by the remarkable performance of Colombo International Container Terminals Limited ("**CICT**"), container throughput handled by the Group's overseas projects grew by 14.2% year-on-year to reach 16.05 million TEUs. Bulk cargo volume handled by the Group's ports operation was 353 million tonnes, down 2.8% year-on-year, among which bulk cargo handled by the Group's ports in Mainland China totaled 348 million tonnes, or a year-on-year decrease of 3.1%. On the overseas front, Port de Djibouti S.A. ("**PDSA**") in Djibouti handled 5.19 million tonnes of bulk cargoes, up 21.4% as compared with that of last year.

Pearl River Delta region

Attributing to the withdrawal from certain domestic shipping routes as an attempt to optimise its container mix, the Group's terminals in West Shenzhen saw its container throughput drop by 2.5% year-on-year to 10.75 million TEUs in 2015. Chu Kong River Trade Terminal Co., Limited handled a container throughput of 1.30 million TEUs, up 6.9% year-on-year. Owing to the business relocation and functional transformation pursued by the Group, bulk cargo throughput in West Shenzhen Port Zone totaled 19.83 million tonnes, down 17.3% year-on-year, while Dongguan Machong continued its growth momentum, recording a year-on-year growth of 22.4%, or a bulk cargo throughput of 11.79 million tonnes.

Note 1 Profit attributable to equity holders of the Company before non-recurrent gains, net of tax. Non-recurrent gains include: for 2015, gain on disposal of subsidiaries, gain on partial disposal of an associate, change in fair value of investment properties, gain on deemed disposal of interests in associates and a joint venture, and additional provision of deferred taxation upon deemed disposal; while for 2014, change in fair value of investment properties and financial asset at fair value through profit or loss and impairment loss.

Note 2 EBITDA refer to earnings before net interest expenses, taxation, depreciation and amortization of the Company, its subsidiaries and its share in associates and joint ventures, but excluding unallocated income less expenses and profit attributable to non-controlling interests.

Xiamen Bay Economic Zone

In the south-eastern coastal region, owing to a decline in empty and transshipment volume as a result of its adjustment of container mix, container throughput handled by Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**") decreased by 20.1% year-on-year to 0.32 million TEUs in 2015. Bulk cargo throughput handled by ZCMP amounted to 10.76 million tonnes, an increase of 0.9% year-on-year.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. handled a container throughput of 36.54 million TEUs, up 3.6% year-on-year, and a bulk cargo throughput of 156 million tonnes, down 16.5% year-on-year. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 2.71 million TEUs, an increase of 8.4% year-on-year.

Bohai Rim region

Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 6.66 million TEUs, representing an increase of 11.4% year-on-year. Qingdao Qianwan West Port United Container Terminal Co., Ltd. handled bulk volume of 16.54 million tonnes, a decrease of 1.9% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd., of which the Group has become a shareholder since March 2014, handled bulk volume of 50.74 million tonnes during the year, representing an increase of 48.2% year-on-year. Hit by the explosion within the port area of Tianjin, container throughput delivered by Tianjin Five Continents International Container Terminals Co., Ltd. saw a flattish trend year-on-year by recording 2.57 million TEUs.

South-West region of China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.61 million TEUs, up 6.6% year-on-year. Bulk cargo throughput handled by the ports amounted to 82.21 million tonnes, up 6.9% year-on-year.

Hong Kong and Taiwan

A decline of the regional market coupled with the impact brought by the operating system upgrade carried out by Modern Terminals Limited ("**MTL**") during the second half of 2014, MTL and China Merchants Container Services Limited in Hong Kong delivered a combined container throughput of 4.62 million TEUs, down 21.6% year-on-year. Kao Ming Container Terminal Corporation in Taiwan handled a container throughput of 1.53 million TEUs, reflecting an increase of 14.4% year-on-year.

Overseas operation

The Group's overseas business delivered a container throughput of 16.05 million TEUs in aggregate, within which Terminal Link SAS contributed a container throughput of 12.61 million TEUs, up 4.7% year-on-year; CICT, attributing to its effective business development, has seen its container throughput grow significantly by 127.5% year-on-year, reaching 1.56 million TEUs during the year; PDSA in Djibouti handled a container throughput of 0.90 million TEUs, up 4.8% year-on-year; Tin-Can Island Container Terminal Limited ("**TICT**") in Nigeria handled a container throughput of 0.47 million TEUs, up 8.9% year-on-year; whereas Lomé Container Terminal S.A. ("**LCT**") in Togo, which commenced operation since October 2014, contributed a container throughput of 0.50 million TEUs during 2015.

Strategic deployments in the ports operation

During 2015, which was prevailed with adverse external operating environment, adhering to the directives of "capturing opportunities, achieving breakthroughs and pursuing developments", the Group, on one hand, by fully leveraging upon the opportunities offered by the "One Belt, One Road" strategy promoted by China and the establishment of Free Trade Zones, sought to further extend its overseas footprint, to deepen its effort in the establishment of West Shenzhen homebase port and to participate in the consolidation of coastal ports in China, so as to add further to its global ports network, whilst on the other hand, inject impetus to drive its sustainable development, by encouraging management refinement and innovation development aiming at an improvement to asset utilization through cost savings and efficiency gains, and by exploring the extension of the ports value chain and innovative business models.

As for overseas expansion, tagging along the "One Belt, One Road" strategy promoted by China, the Group has yielded some fruitful results in capturing investment opportunities and expanding business scale, which, in turn, laid a solid foundation for the Group's future overseas expansion. Through the acquisition of a 65% equity interest in Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi ("**Kumport**"), the third largest container terminal in Turkey, by a consortium formed among the Group, COSCO Pacific Limited and CIC Capital Corporation in late 2015, the Group has established a strong foothold at the hub of the Eurasia continent. At the same time, with the construction of a multi-purpose port at Doraleh under PDSA in Djibouti underway, and the preliminary planning and construction of the free trade zone in Djibouti, which the Group was actively pursuing, progressing as planned, a solid platform for the build-up of "Checkpoints along the Silk Road" has been set up, allowing the expedition of exploring a comprehensive port development model. LCT in Togo, where business volume and service efficiency have both seen steady improvement, is enjoying synergies with TICT in Nigeria, thus further anchoring the Group's presence and influence in the West Africa region.

Regarding the ongoing development of its West Shenzhen homebase port, the Group continued to integrate the management within the West Shenzhen Port Zone, to deepen its efforts in promoting managerial and technological innovation, to improve the barge network and feeder ports layout, to promote further collaboration between its domestic and international ports, and to provide technical and expertise support for its overseas projects. In 2015, benefiting from the establishment and development of Qianhai-Shekou "Free Trade Zone", the Group's West Shenzhen homebase port achieved breakthroughs in terms of gaining access to external resources and optimising customs clearance processes. Regarding gaining access to external resources, the widening of navigation channels of West Shenzhen Port Zone (Tonggu Channel and the Western Public Channel) saw material progresses after two years of efforts, with the construction work commencing in due course. As for the optimization of customs clearance processes, measures such as the "unification of custom zones" within the West Shenzhen Port Zone were successfully implemented, thus increasing transparency of the customs inspection processes, and hence solidifying the market leading position of the Shenzhen homebase port.

As for the Group's strategies in the Chinese port market, the Group has been proactively interacting with major port groups along coastal China with a view to identifying new investment and cooperation opportunities, an example of which was the subscription of shares in Dalian Port (DPA) Company Limited by the Group, resulting in the Group becoming its second largest shareholder, on 12 January 2016. Meanwhile, the Group has continued its dialogues with other domestic ports in exploring different forms of cooperation, with an aim of extending its market influence in the domestic port market.

With regards to operational management, the Group has reorganized and refined its policies and operation manuals following the adjustments to its organization structure and operation flows. Decision making processes were becoming more scientific and well-supported by different data analysis, with the refined management information platform as a backbone. Standardization of large-format equipment procurement processes, and the creation and maintenance of a supplier database, which refined the processes for centralised purchasing of bulk items, were also initiated. Furthermore, the Group has strived to consistently improve its capability in terms of safety management through technological means and application of information technology, such as the establishment of the "China Merchants Safety Management Information System" and the "CMHI Meteorological Forecasting and Warning System". The fact that the Group was awarded by Containerisation International as the "Terminal Operator of the Year" reflects the wide industry recognition of the Group across various aspects, including service quality, operating efficiency, operational management, innovation development, and personnel training.

With regards to innovative development, the Group endeavored to create an environment that encourages innovation and further improve the innovative management mechanism. Leveraging on the concept of "Internet+", the Group has been working with leading big-data enterprises to explore on the building of an integrated cross-border trade service platform that facilitates business flows, information flows, capital flows and logistics flows between ports and logistics parks, through which a port-logistics ecosystem could be built.

Bonded logistics and cold chain operations

2015 is a year where the Group's traditional bonded logistic business continued to grow, with innovation initiatives also showing initial success. Capitalising on the opportunities made available by the development of the Qianhai-Shekou "Free Trade Zone", China Merchants Bonded Logistics Co., Ltd. ("**CMBL**"), a subsidiary of the Group, has been actively tapping into the preferential policies offered at the Bonded Port Zone it operates in. In 2015, CMBL has intensified its effort in promoting cross-border e-commerce business by launching an import and export distribution platform for cross-border e-commerce and an online B2B settlement platform in the Qianhai Free Trade Zone, which were examples of how innovation can be infused into its business model. Under the philosophy of "optimisation of the custom environment of the bonded logistic park, development of innovative businesses and efficiency enhancement", China Merchants International Terminal (Qingdao) Co., Ltd., which operates its bonded logistics business in the Qingdao Logistics Park, has dedicated its efforts in solidifying market share of the consolidation and deconsolidation business for international transshipment cargoes, integrating with external logistics resources and improving service capabilities, thus continuing to keep the momentum in improving the operating results of the zone. Leveraging on the incentive policies available at the Dongjiang Bonded Port Zone, Tianjin Haitian Bonded Logistics Company Limited, an associate of the Group, continued its effort to strengthen its business on handlings of imported automobiles (whole vehicles), to enhance operational capacity by capitalising on external resources, and to actively adjust existing business structure, with a view of ensuring a smooth business transformation.

In January 2015, the Group entered into a share purchase agreement with China Merchants Shipping and Enterprise Company Limited ("**CMSE**"), a wholly-owned subsidiary of the Company's ultimate holding company, China Merchants Group Limited, pursuant to which the Company agreed to dispose of a wholly-owned subsidiary which held the Group's cold chain operation, through a 51% equity interest in China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited, at a total consideration of HK$760 million along with the assignment of relevant shareholder's loan to CMSE. The exit from cold chain operation was consistent with the Group's strategy of reviewing and restructuring, as appropriate, non-core businesses from time to time.

In 2015, the total volume of cargoes handled at the three major air cargo terminals in Hong Kong was 3.71 million tonnes, representing a decline of 3.7% year-on-year, whereas Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 0.58 million tonnes, down 1.6% year-on-year, representing a market share of 15.6%, or an increase of 0.2 percentage point year-on-year.

Port-related manufacturing operation

Global economy recovery was thwarted during 2015 with a sluggish global trade picture, weighing on the demand for CIMC's core products of dry cargo containers. Notwithstanding, CIMC has seen a remarkable increase in the sales of reefers as global cold chain operations expanded steadily. CIMC recorded profit attributable to equity holders of RMB1,974 million in 2015, down 20.3% year-on-year, while its sales of dry cargo containers and reefers was 1.30 million TEUs during the year, representing a 14.0% year-on-year decrease, within which sales of reefers delivered a year-on-year growth of 40.8% .

Financial review

For the year ended 31 December 2015, revenue [Note 3] from the Group's core ports operation increased by 1.7% year-on-year to HK$21,488 million, as a result of added contributions from overseas greenfield projects as new capacity ramped up, which overcame the decline seen in its bulk operation. Notwithstanding, the Group saw a 8.2% decrease in its revenue to HK$43,525 million as sluggish global trade weighed on the demand for CIMC's products. Profit attributable to equity holders of the Company amounted to HK$4,808 million, up 6.2% over last year, within which recurrent profit was HK$4,462 million, representing a decline of 3.0% year-on-year, owing to the weaker-than-expected performance of the Group's port-related manufacturing operation and the increase in net exchange losses, which was offset by the continuing growth from the Group's existing ports, better-than-expected contributions from overseas greenfield projects, and interest cost savings.

EBITDA derived from the Group's core ports operation amounted to HK$10,610 million, or a year-on-year decrease of 1.9%, and accounting for 77.7% of the Group's total EBITDA, while EBITDA margin [Note 4] of the Group's core ports operation was down from 51.2% in 2014 to 49.4% in 2015, mainly due to costs escalation, in particular labour cost, which the Group did not fully pass on.

Note 3 Include revenue of the Company and its subsidiaries, and its share of revenue of associates and joint ventures.

Note 4 EBITDA as a percentage of revenue.

As at 31 December 2015, total assets of the Group was HK$102,349 million, largely flat as compared with the corresponding balance of HK$102,436 million as at 31 December 2014. Net assets attributable to equity holders of the Company was HK$68,828 million as at 31 December 2015, representing an increase of 2.1% from that as at 31 December 2014.

The Group generated net cash inflow from operating activities of HK$6,684 million for the year ended 31 December 2015, an increase of 41.9% year-on-year, as a result of the Group's ports operation in general continuing to yield sustainable cash flow, as well as a timing difference in dividend receipt from certain associates, whereby the distribution of dividend from an associated company which was supposed to take place in 2014 was deferred to 2015. Having received cash consideration of HK$ 2,163 million from the disposal of the its cold chain business and other non-core assets during the year, which was offset by the cash consideration of HK$2,915 million paid for the acquisition of Kumport in Turkey, the Group's net cash outflow from investment activities decreased 52.7% to HK$1,983 million in 2015. Without similar proceeds from the mandatory convertible securities issue in 2014, the Group had net cash outflow from financing activities accounting to HK$3,782 million, comparing to an inflow of HK$5,810 million in the same period of the previous year.

To support the capital needs for development of the Company's comprehensive port business, China Merchants Finance Company Limited, a wholly-owned subsidiary of the Company, completed the issuance of fixed-rate guaranteed notes totaling US$700 million in August 2015, which consists of two tranches including a 5-year tranche of US$200 million maturing in 2020 with a coupon rate of 3.50%, and a 10-year tranche of US$500 million maturing in 2025 with a coupon rate of 4.75%. These notes are listed on The Stock Exchange of Hong Kong Limited.

Corporate social responsibility

While striving to continuously improve its operating results and generate return for shareholders, the Group also places emphasis on its social responsibilities towards its employees, the community and the environment, by contributing to the evolution of our community in a healthier and sustainable direction.

In 2015, with the corporate social responsibility of "conserving energy, reducing emission and carbon footprint, and protecting the environment" as the emphasis, and aiming at "energy conservation and efficiency enhancement" with "technological innovations" as the means, the Group has continued its efforts in the building of low-carbon green port that is "energy efficient", so as to facilitate the conversion of our ports into more environmental friendly and energy conserving ones. Having become the only state-sponsored demonstration port zone of low-carbon green ports in South China since 2013, the Group's West Shenzhen Port Zone has been working actively to promote and implement the pilot programs relating to the establishment of low carbon green ports, focusing on 13 key implementation projects in four major areas, including the transformation of infrastructure, upgrading of logistics equipment, optimization of energy consumption structure and initiation of intelligent operations, with an aim of establishing a modern container port zone that is green, efficient, ecological and sustainable.

The Group is committed to integrating its corporate core values into the community by taking active part in various community and charitable activities. In 2015, the Group's charity activities stemmed from the theme of "Shaping Blue Dreams Together" (共鑄藍色夢想), which concerns the ocean and humanities. Examples of public welfare activities organized by the Group includes the "Shaping Blue Dreams Together — Summer Camp for Caring of Left-behind Children" (共鑄藍色夢想—關愛留守兒童夏令營) which was held by the Group's South China Container Terminal, "Shaping Blue Dreams Together — Scholarships to Lomé University" in Togo, and "C Blue restore Sight Project" (招商局一帶一路光明行) which involves sponsoring 150 units of intraocular lens to Sri Lanka.

Liquidity and treasury policies

As at 31 December 2015, the Group had approximately HK$10,293 million in cash, 50.3% of which was denominated in Hong Kong dollars, 26.8% in United States dollars, 19.7% in Renminbi and 3.2% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation, property investment, and investment returns from associates and joint ventures, which amounted to HK$6,684 million in total.

During the year, the Group incurred capital expenditure amounted to HK$2,376 million while the Group continued to adhere to a prudent financial policy and to maintain a sound financial position. In addition, as a significant portion of the Group's bank loans were medium- to long-term borrowings, the Group, supported by adequate undrawn bilateral facilities, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Share capital and financial resources

As at 31 December 2015, the Company had 2,598,715,093 shares in issue. During the year, the Company issued 7,471,000 new shares upon the exercise of share options and received net proceeds of approximately HK$172 million as a result. Other than the above-mentioned newly issued shares, the Company issued 26,739,941 shares under the Company's scrip dividend scheme and 1,856,012 shares upon conversion of the MCS.

As at 31 December 2015, the Group's net gearing ratio [Note 5] was approximately 11.5%.

Note 5 Net interest-bearing debts divided by total equity.

The financial statements of the Group's foreign investments are in Renminbi, Euro or US dollars and any exchange difference arising from retranslation of these financial statements would be dealt with in a reserve of the Group. The Group will keep monitoring market changes and explore on the use of forward exchange contracts, where deemed necessary, in order to hedge foreign exchange risk and to optimize its overall exposure to maintain foreign exchange risk at a manageable level.

During the year, a wholly-owned subsidiary of the Company, issued fixed-rate listed notes maturing in 2020 for the amount of US$200 million and maturing in 2025 for the amount of US$500 million to finance the Group's working capital. Another non-wholly-owned subsidiary of the Company issued fixed-rate unlisted note with various maturities for the aggregate amount of RMB800 million to finance its working capital.

The Group had aggregate bank borrowings and listed notes payable of HK$15,395 million as at 31 December 2015 that contain customary cross default provisions.

As at 31 December 2015, the Group's outstanding interest bearing debts are analysed as below:

	2015	**2014**
	HK$'million	*HK$'million*
Floating-rate bank borrowings which are repayable as follows (*Note*):		
Within 1 year	713	972
Between 1 and 2 years	643	687
Between 2 and 5 years	1,401	1,508
More than 5 years	2,855	3,045
	5,612	6,212
Fixed-rate bank borrowings which are repayable as follows:		
Within 1 year	179	—
Between 1 and 2 years	60	—
	239	—

Note: All bank borrowings are unsecured except for HK$4,375 million (2014: HK$4,509 million).

	2015	2014
	HK$'million	*HK$'million*
Fixed-rate listed notes payable which are repayable:		
In 2015	—	3,878
In 2018	1,542	1,541
In 2020	1,541	—
In 2022	3,830	3,828
In 2025	3,851	—
	10,764	9,247
Fixed-rate unlisted notes payable which are repayable:		
In 2015	—	507
In 2016	597	—
In 2017	—	631
In 2018	594	630
	1,191	1,768
Loans from the ultimate holding company which are repayable as follows:		
Within 1 year	277	484
Between 1 and 2 years	358	938
	635	1,422
Loans from an intermediate holding company which are repayable as follows:		
Within 1 year	34	834
Between 1 and 2 years	67	—
Between 2 and 5 years	239	127
	340	961
Loans from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	364	361

The interest bearing debts are denominated in the following currencies:

	Bank borrowings HK$' million	Listed notes payable HK$' million	Unlisted notes payable HK$' million	Loans from an intermediate holding company HK$' million	Loans from the ultimate holding company HK$' million	Loans from a non-controlling equity holder of a subsidiary HK$' million	Total HK$' million
As at 31 December 2015							
HKD & USD	2,827	10,764	—	—	—	—	13,591
RMB	973	—	1,191	340	635	—	3,139
EURO	2,051	—	—	—	—	364	2,415
	5,851	10,764	1,191	340	635	364	19,145
As at 31 December 2014							
HKD & USD	3,243	9,247	—	—	—	—	12,490
RMB	1,076	—	1,768	961	1,422	—	5,227
EURO	1,893	—	—	—	—	361	2,254
	6,212	9,247	1,768	961	1,422	361	19,971

Assets charge

As at 31 December 2015, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary are pledged to various banks for bank loans of HK$4,375 million.

As at 31 December 2014, bank loans of HK$4,509 million borrowed by subsidiaries were secured by their property, plant and equipment with carrying value of HK$31 million and land use rights with carrying value of HK$7 million. In addition, the entire shareholdings in two subsidiaries, owned by the Company and its subsidiary, were also pledged to various banks for bank facilities granted to the relevant subsidiaries.

Employees and remuneration

As at 31 December 2015, the Group employed 5,776 full time staff, of which 190 worked in Hong Kong, 4,782 worked in Mainland China, and the remaining 804 worked overseas. The remuneration paid for the year amounted to HK$1,499 million, representing 26.8% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to an individual's remuneration with reference to the Group's performance, the individual's performance, the conditions of the human resources market and the general economy.

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance their job related skills. Moreover, the Group offers discretionary year-end bonus as a reward to its staff for their efforts and contribution. The Group also operates a share option scheme, under which qualified staff may exercise their options at an agreed price to subscribe for shares of the Company. The remuneration of directors has been determined with reference to individual's duties, responsibilities and experience, and to prevailing market conditions.

Future prospects

Going into 2016, the mild global economic growth seen in last year is expected to continue. According to the latest forecast by IMF, global economy is expected to grow by 3.4% in 2016, a 0.3 percentage point improvement as compared to 2015. Global trade volume (including goods and services) is expected to grow by 3.4%, a 0.8 percentage point expansion over that of 2015. Meanwhile, IMF also pointed out that decline of oil prices and the monetary easing pursued by various economies will further enhance the purchasing power and private consumption demand of oil importing countries, thus lending support to global economic growth. However, with the United States exiting its highly accommodative monetary policy, the already-vulnerable emerging economies would be adversely affected by potential currency devaluation which translates into financial stress. IMF forecasted that developed economies, represented by the United States, Japan and the European countries, will grow at 2.1% in 2016, 0.2 percentage point faster than in 2015; while emerging markets and the developing economies will grow at 4.3%, 0.3 percentage point higher than in 2015.

Against the backdrop of a sluggish recovery in external demand, along with the ongoing reforms of the domestic economic structure, China's economic growth is expected to slow. The forecast published by the IMF suggested that Chinese economy will grow by 6.3% in 2016, down 0.6 percentage point as compared to that in 2015. Although China's economy is entering a "new normal", the Group still sees ample opportunities and rooms for further development that are derived from wide range of strategic initiatives and reforms driven by the Chinese Government, including "One Belt, One Road", the establishment of "Free Trade Zones", and the restructuring and reform of state-owned enterprises.

Based on these analysis and considerations, the Group will pursue various developments adhering to the directives of "seeking for changes while maintaining stability, seeking to promote innovation among changes, and seeking to progress on the back of innovation". On one hand, the Group will, with "building an integrated port ecosystem" as a pivot, attempt to promote innovations, accelerate business transformation and upgrades with an aim of enriching its capability as a comprehensive port service provider, by seeking to capitalize on the opportunities offered by "One Belt, One Road" and "Free Trade Zones" initiatives, and by riding on the industry trends. On the other hand, the Group will further its efforts in extending the application of the refined management information system, in the set-up of new control points along operation procedures, in the optimisation of workflows, in the promotion of technological innovation and in the elevation of production efficiency, which, in turn, enable the Group to achieve balanced development in terms of scale, quality and efficiency.

With regards to operational management, through formulating overall market plan and customer management, the Group seeks to strengthen the interaction and collaboration between its ports, and in turn, bring out the synergies across different businesses. In addition, the Group will reinforce the exploration of capital management tools within existing portfolio and the analysis on alternative sources of funding, leveraging upon relevant policies, in order to reduce its cost of capital. Furthermore, knowledge management system will be optimized continuously, with an aim to facilitate the accumulation and transmission of the enterprise's and individuals' knowledge. Backed by the refined management information platform, the Group will also facilitate the informatization and digitalization in its operational management, whilst continuing to advocate scientific decision-making processes grounded on data analysis.

Regarding the development of homebase port, capturing the significant opportunities presented by the inclusion of the Group's West Shenzhen homebase ports in the Free Trade Zone and aiming towards consolidating the competitive edge of the homebase port, the Group will coordinate with and get deeply involved in encouraging customs clearance model innovation, continuously promote the establishment of "Shenzhen-Hong Kong Free Trade Connect", facilitate the integration of custom zones, constantly improve the efficiency of customs clearance processes and accelerate the development of a smart port and widening of navigation channel within the West Shenzhen Port Zone. Simultaneously, the Group will seek to turn CICT in Sri Lanka into the Group's international homebase port that is influential in the region, and as a hub where overseas talents could be nurtured, knowledge could be accumulated and innovation could be experimented, by researching on the implementation of policies proposed by China in relation to industry relocation and paying close attention to the global trade relocation trend, and by leveraging on the advantages offered by preferential policies and internal resources.

With respect to business expansion, by studying and seizing available opportunities derived from the state-owned enterprise reform and the restructuring of regional ports, the Group will actively participate in the consolidation of domestic ports with a view of integration with the Group's existing assets, thus enhancing synergies within the Group's domestic port network and elevating the Group's influence in the domestic market. On the other hand, by continuously exploring on the implementation of an overseas comprehensive development model, by innovating the development and operation models for overseas projects, and by optimising global asset allocation and profit structure, the Group will seek to pursue sustainable development and to build a global brand and reputation for its ports operation.

Pursuing "innovation" is a key for the Group to transform and upgrade its traditional ports operation and see breakthroughs in terms of its business mechanism and business development. By constantly improving innovation management mechanism in the aspects of internal policies and operation flows, a management culture and system that encourages innovation can be created. Backed by the already-established foundation around the application of technologies in ports, the Group will strive to promote technological innovation in ports operation, while at the same time, incorporate the Internet element into the port business and promoting cross-sector business integration will further enrich the Group's capability as a comprehensive ports service provider.

Whilst global economic environment remains complex in 2016, intense and dynamic competition persists within the industry. The Group will continue to monitor the ever-changing market conditions and attempt to capture opportunities available, to seek for changes while maintaining stability, to seek to promote innovation among changes, and to seek to progress on the back of innovation, while navigating its business operations to ensure stability and steady progress in line with strategies and objectives established. As always, the Group will endeavour to achieve its pre-set target as a step towards profit maximization and enhanced profitability, thereby delivering better returns for its shareholders.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all of the five independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial report matters including the review of the audited financial statements for the year ended 31 December 2015 and the 2015 annual results.

CORPORATE GOVERNANCE

The Board is committed to upholding a high standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year.

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and code provisions with which listed issuers are expected to follow and comply throughout the year ended 31 December 2015.

In order to ensure effective communication with the shareholders, chairmen of the Audit, Remuneration and Nomination Committees and the external auditor were present at the annual general meeting of the Company held on 27 May 2015 to answer shareholders' questions.

The current practices of the Company will be reviewed and updated regularly to reflect as much as possible the latest best practices in corporate governance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2015 annual report will be despatched to Shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cmhi.com.hk in due course.

By order of the Board
China Merchants Holdings (International) Company Limited
Li Xiaopeng
Chairman

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises Mr. Li Xiaopeng, Mr. Hu Jianhua, Mr. Fu Gangfeng, Mr. Yu Liming, Mr. Wang Hong, Mr. Deng Renjie, Mr. Bai Jingtao, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.